

APPENDIX K

CAP COST ALLOCATION AND REPAYMENT ANALYSIS

**Draft Environmental Impact Statement
Allocation of Water Supply and
Long-Term Contract Execution
Central Arizona Project**

APPENDIX K

CENTRAL ARIZONA PROJECT COST ALLOCATION AND REPAYMENT ANALYSIS

In 1998, the Bureau of Reclamation revised the Interim Final Cost Allocation for the Central Arizona Project (CAP) for Stages I and II, dated December 1996. The date of the revised cost allocation, known as Revised CASII, is September 1998. Revised CASII is the latest official cost allocation of the CAP. Under Revised CASII, the estimated repayment obligation assigned to the CAWCD is \$2,182,532,000.

The allocation of CAP water to various uses over the repayment period is an important determinant of the repayment obligation assigned to the Central Arizona Water Conservation District (CAWCD). In this draft Environmental Impact Statement, the alternatives represent varying allocations of CAP water to different uses. Different project water allocations result in different financial obligations (e.g., between reimbursable and non-reimbursable, between Indian and non-Indian, and between municipal and industrial [M&I] and irrigation). Therefore, a new cost allocation and repayment analysis was conducted for each alternative in order to ascertain how the results of each could modify the results of Revised CASII. The full cost allocation model was not employed and instead a spreadsheet approximation on Excel software, known as the “mini-model” closely approximates the results of the more detailed official model for cost allocations.

Table K-1 provides a summary of six runs, one for each alternative, and a comparison of the results. The data provided include allocated costs to the allocable functions of the CAP, i.e., non-Indian and Indian irrigation, commercial power, M&I water, fish and wildlife, recreation, and flood control. Changes in CAP water allocation do not affect the allocation of costs to fish and wildlife, recreation, commercial power, and flood control. Changes in CAP water allocation impact costs assigned to non-Indian and Indian irrigation and M&I water supply. Line item values do not always sum to the total values because of rounding and slight changes in reimbursable interest during construction. The total project cost line includes all expenditures by the United States in constructing the CAP plus interest during construction. The total project cost is just under \$5 billion.

In the repayment section of Table K-1, the principal obligation of CAWCD (the primary repayment entity) is shown. In addition to the almost \$500 million reduction in CAWCD’s capital repayment obligation under the Settlement Alternative, compared to the No Action Alternative, CAWCD will experience an approximate reduction of \$450 million in interest payments to the United States over the repayment period.

Finally, the difference between total project costs and the portion, which is to be repaid by local beneficiaries, become construction costs that are not recovered by the United States through repayment. The difference in cost to the United States between the Settlement Alternative and the No Action Alternative, in terms of a reduction in the repayment amount, is about \$500 million.

Table K-1
CAP Allocation Draft EIS
Summary of CAP Allocated Costs and Repayment Obligations
(all values in thousands of dollars)

	Settlement Alternative	No Action Alternative	Non- Settlement Alternative 1	Non- Settlement Alternative 2	Non- Settlement Alternative 3A	Non- Settlement Alternative 3B
Allocation of Costs to Project Purposes						
Irrigation:						
Non-Indian	\$507,409	\$465,702	\$465,702	\$467,320	\$429,413	\$409,989
Indian	\$1,255,694	\$947,663	\$947,663	\$1,165,692	\$1,306,265	\$1,247,177
Commercial Power	\$0	\$675,952	\$675,952	\$675,576	\$675,576	\$675,576
Municipal & Industrial	\$1,212,148	\$1,373,066	\$1,373,066	\$1,153,134	\$1,059,597	\$1,142,787
Fish and Wildlife	\$6,532	\$6,532	\$6,532	\$6,532	\$6,532	\$6,532
Recreation	\$184,997	\$184,997	\$184,997	\$184,997	\$184,997	\$184,997
Flood Control	\$149,449	\$149,449	\$149,449	\$149,449	\$149,449	\$149,449
Total Allocation	\$3,316,229	\$3,803,361	\$3,803,361	\$3,802,700	\$3,811,829	\$3,816,507
Total Project Cost	\$4,991,225	\$4,991,225	\$4,991,225	\$4,991,225	\$4,991,225	\$4,991,225

Repayment of Costs Assigned to CAWCD

CAWCD-principal Note	\$1,650,000 (a)	\$2,182,532 (b)	\$2,182,532 (c)	\$1,964,365 (c)	\$1,832,922 (c)	\$1,896,688 (c)
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Notes:

- (a) For the Settlement Alternative, the repayment obligation is a fixed, negotiated number.
- (b) For the No Action Alternative, the repayment obligation shown is based on the CASII repayment analysis. It is noted that in the *CAWCD v. United States* litigation, the court ruled in its Phase One decision the repayment ceiling is \$1.781 billion, absent an amendatory contract.
- (c) In order to provide a basis of comparison, the repayment obligation shown for all non-settlement alternatives is based on costs resulting from changes in water allocation only.